

## **The Budget By Function**

The following three tables show the appropriated (discretionary) funding in the conference agreement on the Republican budget resolution broken down by function.

The first table shows the conference agreement's discretionary totals for each function. These levels do not include a cut of \$59.2 billion in budget authority that would be needed to comply with the current caps on appropriations that were set by the Balanced Budget Act of 1997. See *Appropriated Programs* for more discussion.

The second table compares the discretionary levels in the conference agreement with those in the House Republican budget resolution. The Function 920 comparison is difficult to interpret because the House resolution reflected the 2000 supplemental appropriations bill in Function 920, but the conference agreement assumes a lower level for the supplemental appropriations bill and does not display it in Function 920. Rather, the conference agreement shows the supplemental funding where it is expected to occur, e.g. defense, international affairs, etc. The conference agreement includes a total of \$22.2 billion of unspecified cuts in Function 920, which is \$3.7 billion more than the House resolution included. See *Function 920: Allowances* for more discussion.

The final table compares the discretionary levels in the conference agreement with the levels needed to maintain purchasing power (the current services baseline) at the 2000 level. The only four functions that arguably maintain their purchasing power over five years (2001-2005) are defense, science, transportation, and education. However, there are two reasons to think that the full increases in science, transportation, and education cannot occur (assuming, for the moment, that the conference agreement is actually enforced). The first is that some of the "unspecified" cuts in Function 920 might end up falling in these three functions — they will have to fall somewhere. The second is that, in the science and education functions, the conference agreement provides very little outlay increase to go with the budget authority increase. But all budget authority that is actually appropriated ultimately is spent, i.e., is recorded as outlays. Over time, the only way to live within the conference agreement's outlay levels for science and for education is to appropriate lower levels of budget authority.

Detailed descriptions of each function follow the tables.

**DISCRETIONARY TOTALS**  
**CONFERENCE AGREEMENT ON REPUBLICAN BUDGET RESOLUTION**  
*(In billions of dollars)*

	2001	2002	2003	2004	2005	5 Yr. Total
<b>Total Discretionary</b>						
Budget Authority	600.3	608.6	619.1	629.0	640.2	3097.2
Outlays	625.2	640.8	650.5	658.4	670.3	3245.2
<b>Non-defense discretionary</b>						
Budget Authority	289.4	298.5	302.7	304.9	307.8	1503.3
Outlays	327.5	336.7	339.9	339.8	341.4	1685.3
050 National Defense						
Budget authority	310.8	310.1	316.4	324.1	332.4	1593.8
Outlays	297.7	304.1	310.6	318.6	328.9	1559.9
150 International Affairs						
Budget authority	20.0	20.1	20.1	20.1	20.4	100.7
Outlays	22.3	21.6	20.6	20.0	19.7	104.2
250 General Science, Space						
Budget authority	20.2	20.4	20.6	20.8	21.0	103.0
Outlays	19.4	19.9	20.0	20.2	20.4	99.9
270 Energy						
Budget authority	3.0	2.1	2.7	2.6	2.7	13.1
Outlays	3.0	2.2	2.8	2.7	2.7	13.4
300 Natural Resources and Environment						
Budget authority	24.2	24.2	24.3	24.3	24.4	121.4
Outlays	24.1	24.3	24.4	24.3	24.2	121.3
350 Agriculture						
Budget authority	4.5	4.5	4.6	4.6	4.6	22.8
Outlays	4.5	4.4	4.5	4.5	4.5	22.4
370 Commerce and Housing Credit						
Budget authority	2.6	3.1	3.1	3.0	3.0	14.8
Outlays	3.0	3.0	3.0	2.9	2.9	14.8
400 Transportation						
Budget authority	15.8	16.4	17.0	17.0	17.0	83.2
Outlays	48.5	51.3	53.2	53.7	54.0	260.7
450 Community and Regional Development						
Budget authority	9.2	8.7	8.6	8.6	8.6	43.7
Outlays	11.4	10.5	9.6	9.1	8.7	49.3
500 Education and Training						
Budget authority	56.8	58.4	59.1	60.0	60.8	295.1
Outlays	52.3	55.9	57.9	58.6	59.0	283.7
550 Health						
Budget authority	34.8	35.2	35.7	36.3	36.9	178.9
Outlays	32.8	33.8	34.6	35.2	35.7	172.1
570 Medicare						
Budget authority	3.1	3.1	3.1	3.1	3.1	15.5
Outlays	3.1	3.1	3.1	3.1	3.1	15.5
600 Income Security						
Budget authority	35.3	38.2	38.8	39.2	39.6	191.1
Outlays	42.1	42.7	43.6	43.8	44.1	216.3
650 Social Security						
Budget authority	3.4	3.4	3.5	3.6	3.6	17.5
Outlays	3.3	3.4	3.4	3.5	3.6	17.2
700 Veterans						
Budget authority	22.1	22.5	23.2	23.6	24.1	115.5
Outlays	21.9	22.5	23.0	23.4	23.9	114.7
750 Administration of Justice						
Budget authority	26.9	27.5	27.9	28.4	28.9	139.6
Outlays	27.2	27.5	27.8	28.2	28.7	139.4
800 General Government						
Budget authority	12.8	12.4	12.4	12.4	12.4	62.4
Outlays	13.0	12.7	12.6	12.5	12.4	63.2
920 Allowances						
Budget authority	-5.5	-1.7	-2.0	-2.7	-3.3	-15.2
Outlays	-4.6	-2.1	-4.2	-5.9	-6.2	-23.0
950 Undistributed Offsetting Receipts						
Budget authority	0.2	0.0	0.0	0.0	0.0	0.2
Outlays	0.2	0.0	0.0	0.0	0.0	0.2

Note: Numbers may not add exactly due to rounding.

**DISCRETIONARY COMPARISON**  
**The Conference Agreement on the Republican Budget Resolution**  
**Above(+)/Below(-) House Republican Budget Resolution**  
**(In billions of dollars)**

	2001	2002	2003	2004	2005	5 Yr. Total
<b>Total Discretionary</b>						
Budget Authority	3.7	1.3	3.5	5.4	5.8	19.7
Outlays	3.1	1.6	2.6	4.0	4.7	16.0
<b>Non-defense discretionary</b>						
Budget Authority	0.2	1.4	3.6	5.5	5.9	16.6
Outlays	4.0	0.4	2.3	3.8	4.7	15.2
050 National Defense						
Budget authority	3.5	-0.1	-0.1	-0.1	-0.1	3.1
Outlays	-0.9	1.2	0.3	0.2	0.0	0.8
150 International Affairs						
Budget authority	0.3	0.8	1.3	1.8	2.1	6.3
Outlays	1.0	0.6	0.8	1.3	1.5	5.2
250 General Science, Space						
Budget authority	0.0	0.0	0.0	0.0	0.0	0.0
Outlays	0.1	0.0	0.1	-0.0	-0.1	0.1
270 Energy						
Budget authority	0.2	-0.5	0.3	0.4	0.5	0.9
Outlays	0.2	-0.5	0.3	0.4	0.4	0.8
300 Natural Resources and Environment						
Budget authority	-0.1	-0.2	-0.2	-0.3	-0.3	-1.1
Outlays	0.0	-0.1	-0.1	-0.2	-0.3	-0.7
350 Agriculture						
Budget authority	0.0	0.0	0.1	0.1	0.1	0.3
Outlays	0.1	0.0	0.1	0.1	0.1	0.4
370 Commerce and Housing Credit						
Budget authority	-0.1	0.0	0.0	-0.1	0.0	-0.2
Outlays	-0.2	0.0	0.0	-0.2	-0.1	-0.5
400 Transportation						
Budget authority	0.1	0.1	0.2	0.2	0.2	0.8
Outlays	0.3	0.5	0.3	0.5	0.7	2.3
450 Community and Regional Development						
Budget authority	0.1	0.2	0.1	0.1	0.1	0.6
Outlays	-0.3	0.2	0.1	0.1	0.2	0.3
500 Education and Training						
Budget authority	0.0	0.7	0.4	0.3	0.1	1.5
Outlays	-0.6	0.1	0.7	1.1	1.3	2.6
550 Health						
Budget authority	-0.1	-0.3	-0.3	-0.2	-0.1	-1.0
Outlays	-1.1	0.0	-0.1	0.0	0.0	-1.2
570 Medicare						
Budget authority	0.0	0.0	0.0	0.0	0.0	0.0
Outlays	0.0	0.0	0.0	0.0	0.0	0.0
600 Income Security						
Budget authority	0.1	-0.1	0.3	0.6	0.8	1.7
Outlays	0.2	0.5	1.4	1.5	1.6	5.2
650 Social Security						
Budget authority	0.0	0.0	0.0	0.0	0.0	0.0
Outlays	0.0	0.0	0.0	0.0	0.0	0.0
700 Veterans						
Budget authority	-0.1	-0.1	0.2	0.2	0.3	0.5
Outlays	-0.1	-0.1	0.1	0.2	0.3	0.4
750 Administration of Justice						
Budget authority	0.0	0.4	0.6	0.8	1.0	2.8
Outlays	0.1	0.3	0.6	0.8	1.0	2.8
800 General Government						
Budget authority	0.4	0.0	0.0	0.0	0.0	0.4
Outlays	0.0	0.0	0.0	0.1	0.0	0.1
920 Allowances						
Budget authority	-0.8	0.4	0.6	1.6	1.1	2.9
Outlays	4.1	-1.1	-2.0	-1.9	-1.9	-2.8
950 Undistributed Offsetting Receipts						
Budget authority	0.2	0.0	0.0	0.0	0.0	0.2
Outlays	0.2	0.0	0.0	0.0	0.0	0.2

**DISCRETIONARY COMPARISON**  
**The Conference Agreement on the Republican Budget Resolution**  
**Above(+)/Below(-) Current Services Baseline**  
**(In billions of dollars)**

	2001	2002	2003	2004	2005	5 Yr. Total
<b>Total Discretionary</b>						
Budget Authority	-7.0	-13.4	-18.7	-24.6	-29.2	-93.0
Outlays	-10.3	-9.6	-16.4	-23.2	-29.8	-89.2
<b>Non-defense discretionary</b>						
Budget Authority	-19.5	-18.1	-22.2	-28.2	-33.5	-121.5
Outlays	-12.1	-12.6	-18.6	-26.0	-32.3	-101.6
 050 National Defense						
Budget authority	12.4	4.7	3.5	3.6	4.3	28.5
Outlays	1.9	3.0	2.2	2.8	2.5	12.4
150 International Affairs						
Budget authority	-2.7	-3.0	-3.4	-3.9	-4.0	-17.0
Outlays	0.4	-0.9	-2.5	-3.5	-4.0	-10.5
250 General Science, Space						
Budget authority	0.6	0.5	0.3	0.1	-0.1	1.4
Outlays	0.2	0.3	0.1	-0.1	-0.3	0.1
270 Energy						
Budget authority	-0.1	-0.9	-0.3	-0.5	-0.4	-2.2
Outlays	-0.1	-0.8	-0.2	-0.4	-0.4	-2.0
300 Natural Resources and Environment						
Budget authority	-0.6	-1.2	-1.7	-2.4	-2.9	-8.8
Outlays	-0.3	-0.9	-1.4	-2.0	-2.6	-7.2
350 Agriculture						
Budget authority	-0.1	-0.2	-0.2	-0.3	-0.5	-1.3
Outlays	-0.0	-0.2	-0.2	-0.4	-0.5	-1.4
370 Commerce and Housing Credit						
Budget authority	-5.5	-5.2	-5.4	-5.8	-6.0	-27.9
Outlays	-5.0	-5.1	-5.3	-5.7	-5.9	-27.0
400 Transportation						
Budget authority	0.9	1.1	1.2	0.8	0.3	4.3
Outlays	1.0	1.6	1.6	1.0	0.4	5.7
450 Community and Regional Development						
Budget authority	-2.5	-3.2	-3.5	-3.7	-3.9	-16.8
Outlays	-0.4	-1.4	-2.3	-2.9	-3.5	-10.5
500 Education and Training						
Budget authority	1.4	2.1	1.8	1.6	1.4	8.3
Outlays	-0.6	0.6	0.9	0.7	0.0	1.5
550 Health						
Budget authority	0.3	0.0	-0.2	-0.3	-0.4	-0.6
Outlays	-1.2	-0.3	-0.3	-0.4	-0.6	-2.7
570 Medicare						
Budget authority	-0.1	-0.2	-0.3	-0.4	-0.5	-1.5
Outlays	-0.1	-0.1	-0.3	-0.4	-0.5	-1.4
600 Income Security						
Budget authority	-5.6	-4.5	-5.9	-7.2	-8.3	-31.5
Outlays	-0.3	-1.7	-1.9	-2.8	-3.9	-10.6
650 Social Security						
Budget authority	0.1	-0.0	-0.0	-0.0	-0.1	-0.0
Outlays	0.0	0.0	-0.1	-0.1	-0.1	-0.1
700 Veterans						
Budget authority	0.4	0.1	0.2	-0.1	-0.4	0.2
Outlays	0.4	0.2	-0.1	-0.2	-0.3	-0.0
750 Administration of Justice						
Budget authority	-0.7	-0.8	-1.2	-1.5	-1.9	-6.1
Outlays	-0.5	-0.9	-1.2	-1.5	-1.8	-5.9
800 General Government						
Budget authority	-0.3	-1.1	-1.5	-1.9	-2.3	-7.0
Outlays	-0.4	-0.8	-1.2	-1.6	-2.0	-6.1
920 Allowances						
Budget authority	-5.5	-1.7	-2.0	-2.7	-3.3	-15.2
Outlays	-5.4	-2.1	-4.2	-5.9	-6.2	-23.8
950 Undistributed Offsetting Receipts						
Budget authority	0.2	0.0	0.0	0.0	0.0	0.2
Outlays	0.2	0.0	0.0	0.0	0.0	0.2

## Function 050: National Defense

The National Defense function includes funding for the Department of Defense (DOD), the nuclear weapons-related activities of the Department of Energy, and national defense activities in various other agencies such as the Coast Guard and the Federal Bureau of Investigation. The DOD represents about 95 percent of this function.

- **Overview** — For 2001, the conference agreement on the Republican budget resolution provides \$310.8 billion for national defense appropriations. This level of funding is a \$12.4 billion (4.2 percent) increase in purchasing power, and is \$4.5 billion more than the President's request. Over the 2001-2005 period, the conference agreement is \$28.5 billion more than what is needed to maintain zero real growth (constant purchasing power), and \$5.2 billion more than the President's request for that period.
- **Comparison to the House Resolution** — The conference agreement provides \$3.5 billion more than the House resolution for 2001 defense funding. The purpose of the increase above the House resolution is apparently to provide part of the funding in the House-passed 2000 Kosovo supplemental appropriations bill, which the Senate refused to consider. The House-passed supplemental bill would have provided \$9.2 billion for defense for 2000, \$4.0 billion of which was added on the House floor by a bipartisan amendment offered by Reps. Lewis, Murtha, Spence, and Skelton. The conference agreement provides \$2.7 billion for defense funding in the 2000 Kosovo supplemental appropriations bill.
- **Military Retirees** — The conference agreement provides a reserve fund to be used to fund legislation that improves health care for military retirees. The reserve fund is \$50 million for 2001 and totals \$400 million over 2001-2005, all of which is mandatory funding. This level is \$5.0 billion less than the Democratic alternative resolution. See *Military Retirees* for a detailed discussion of this issue.
- **A De Facto Bipartisan Agreement on Defense** — Despite the rhetoric from some Members about the inadequacy of the President's defense budget, the House-passed resolution is just three-tenths of one percent (\$5.2 billion) more than the President's budget for national defense appropriations over the 2001-2005 period. The striking similarity of the President's budget to the House-passed resolution is noteworthy in light of the widely reported requests of the Service Chiefs for at least \$15 billion in additional funding for DOD for 2001 alone. The emphatic rejection of the Service Chiefs' requests in the House-passed resolution and the convergence to the level in the President's budget indicates a *de facto* bipartisan agreement on overall defense funding levels.

- ***Repeal of Obligation Delays and Pay Date Delays*** — The conference agreement assumes enactment of legislation repealing several timing shifts included in the 2000 Omnibus Appropriations bill. These changes, contained in the 2000 Kosovo supplemental appropriations bill approved by the House on March 30, 2000, would repeal the delay in pay dates for military personnel and DOD civilians and obligation delays for payments to defense contractors. The effect of repealing these provisions will shift a total of \$4.8 billion in outlays from 2001 back to 2000.

## Function 150: International Affairs

The International Affairs function covers a wide range of programs and activities, including operation of U.S. embassies and consulates throughout the world, military assistance to allies, aid to developing nations, economic assistance to fledgling democracies, promotion of U.S. exports abroad, U.S. payments to international organizations, and peacekeeping efforts. This function has represented about one percent of all federal outlays since 1992.

- ***Comparisons with House and Senate Resolutions*** — The conference agreement on the Republican budget resolution provides \$20.0 billion for international affairs appropriations for 2001. This level is \$300 million more than the House resolution, but \$400 million less than the Senate resolution. The conference agreement assumes no policy changes that will affect mandatory spending or offsetting receipts within the international affairs function.
- ***Unrealistic Funding Levels*** — This level of funding for 2001 is a \$2.7 billion (12 percent) cut in purchasing power below the 2000 funding level. By 2005, the level in the conference agreement represents a 17 percent cut in purchasing power. As discussed in *Appropriated Programs*, the Republican plan disproportionately cuts funding for international affairs appropriations (without specifying programs to be cut) in an attempt to mask its unrealistic cuts to overall non-defense appropriations. Thus, the international affairs function is emblematic of the unwise and politically implausible assumptions upon which the conference agreement rests. For example, if the conference agreement is taken at face value, it could:
  - Cut resources needed to fund anti-narcotics efforts throughout the world, including anti-heroin efforts in Asia and anti-cocaine efforts in Latin America;
  - Slow down efforts to improve U.S. embassy security, a widely-recognized priority since the devastating terrorist attacks against U.S. embassies in Kenya and Tanzania in August 1998;
  - Further reduce U.S. humanitarian and economic development assistance, despite the fact that the U.S. already ranks 21<sup>st</sup> in the world in terms of foreign aid as a percent of gross national product (GNP);<sup>10</sup>
  - Reduce modest but critical assistance to countries struggling to become free-market democracies in Eastern Europe and the former Soviet Union;

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<sup>10</sup>Data is from the Organization for Economic Cooperation and Development's 1999 Development Cooperation Report, February, 2000. The OECD measurement is based on its definition of "official development assistance," consisting of grants or concessional loans to developing countries to promote economic development. Military assistance is not considered official development assistance. U.S. economic assistance to Israel is excluded because Israel is not considered a developing country by the OECD. The U.S. level is one-tenth of one percent of GNP, which is a quarter of the average percentage among developed countries. Countries that provide more foreign aid as a percent of GNP than the U.S. include Japan, Australia, France, Ireland, Italy, Luxembourg, New Zealand, Portugal, and Spain. In total amount of foreign aid, the U.S. ranks second, \$1.9 billion behind Japan.

- Call into question current U.S. assistance to the Middle East, which is vital to maintaining stability in a region critical to U.S. economic and national security interests, as well as raise doubts about whether the U.S. will provide the resources necessary to facilitate future peace agreements between Israel, the Palestinian authority, and Syria; and
  - Cut staffing at embassies and consulates throughout the world, or shut some down completely, hurting the interests of American businesses and tourists.
- ***Excluding One-Time Costs*** — Some Republicans may claim that this function can be cut below 2000 levels because the 2000 level includes one-time costs for the Wye River Middle East Peace Agreement and repayment of U.S. back dues (arrears) to the United Nations. This reasoning is flawed. First, even excluding the Wye River and U.N. arrears funding, the Republican plan cuts the purchasing power for U.S. international programs by \$477 million (2.3 percent) for 2001 and by \$1.8 billion (8.2 percent) for 2005. Second, 2000 funding levels for other priorities that enjoy strong bipartisan support, such as more aggressive efforts to curb narcotics trafficking and increasing security at U.S. embassies, are considered inadequate by many Members on both sides of the aisle. Any increased funding Congress provides for 2001 for these priorities offsets the “savings” of excluding 2000 one-time costs.

In short, any argument over the merits of including Wye River and U.N. arrears in a comparison of funding cannot change the bottom line: the conference agreement sharply cuts funding for U.S. international and diplomatic programs.

- ***Undercutting U.S. Foreign Policy*** — The Chairman of the House International Relations Committee, Rep. Ben Gilman, wrote Chairman Kasich prior to mark-up of the Republican plan requesting the same level of funding for 2001 as the President requested (which was slightly more than what is needed to maintain constant purchasing power). Chairman Gilman thought this level would be appropriate because:

“Most of the programs under our jurisdiction are uniquely the responsibility of the federal government and are strongly related to protecting the national security.”

The conference agreement instead cuts the President’s request by 12.3 percent, raising serious questions about the ability to promote U.S. national security through diplomacy. The Republican plan is simply unrealistic in the funding it provides for international programs.



## **Function 250: General Science, Space, and Technology**

This function includes the National Aeronautics and Space Administration (NASA), the National Science Foundation (NSF), and general science programs within the Department of Energy (DOE).

For 2001, the conference agreement on the Republican budget resolution provides \$20.2 billion in appropriated funding for science programs, which includes \$100 million that Democrats, led by Congressman Rush Holt (D-NJ), added during the House Budget Committee's consideration of the budget. This level of funding is a \$600 million increase in purchasing power for 2001, but that increase is not maintained over time. By 2004, the outlays in the conference agreement represent a cut in purchasing power and by 2005, both budget authority and outlays are below the level required to maintain purchasing power at 2000 levels.

- ***Comparison with House and Senate Resolutions*** — For Function 250, the conference agreement is the same as the House resolution and \$0.6 billion above the Senate resolution over five years (2001-2005).
- ***Democrats Increase Funding for NSF*** — The 2001 total in the conference agreement is \$75 million less than what Democrats, led by Congressman Holt, tried to provide during the House Budget Committee mark-up. Congressman Holt offered an amendment to increase funding for NSF by \$675 million (17 percent) for 2001, and by \$3.9 billion over five years (2001-2005). Republicans reduced the increase to only \$100 million before accepting the scaled-back amendment.
- ***Democrats Pressured Republicans to Add Funding*** — The night before bringing the resolution to the House floor, Republicans succumbed to Democratic pressure to increase funding for science and technology by adding an additional \$500 million to Function 250 for 2001 (\$3.0 billion over 2001-2005). To pay for this increase, however, the Republicans imposed an additional \$500 million in unspecified cuts in non-defense funding for 2001 in Function 920 (Allowances), and an additional \$5.9 billion in cuts over 2001-2005. The conference agreement maintains the House level for Function 250, but for 2001 makes even larger unspecified cuts in Function 920.

## Function 270: Energy

Function 270 comprises energy-related programs including research and development (R&D), energy conservation, environmental clean-up, and rural utility loans. Most of the programs are within the Department of Energy (DOE), although the rural utilities program is part of the Department of Agriculture.

The conference agreement on the Republican budget resolution provides \$3.0 billion in discretionary funding for Function 270. This represents a \$100 million (2.3 percent) cut in purchasing power for 2001 and a stunning \$900 million (29.2 percent) cut for 2002, and continued cuts through 2005. At a time when the nation is facing rising gasoline prices and suffering from our dependence on imported oil, the conference agreement actually decreases funding for energy research and conservation programs after 2001, cutting purchasing power for 2002 by almost one-third compared with the 2000 level.

- **Comparison with House Resolution** — For Function 270 appropriations, the conference agreement provides \$200 million more than the House resolution for 2001, but for 2002, it provides \$500 million less than the House resolution. Over five years (2001-2005), the conference agreement provides \$900 million more than the House resolution.
- **Comparison with Democratic Alternative Resolution** — The conference agreement provides \$3.7 billion (21.3 percent) less than the Democratic alternative resolution over five years (2001-2005).
- **Energy Supply R&D** — The conference agreement is silent about how much it cuts specific programs. However, assuming an across-the-board cut in Function 270 means that the conference agreement decreases purchasing power for applied energy R&D by \$195 million for 2002.
- **Fossil Energy R&D** — Assuming an across-the-board cut, the conference agreement decreases purchasing power for 2002 by \$127 million for programs that help industry develop ways to produce and use coal, oil, and gas resources more efficiently.
- **Nuclear Waste Disposal** — The Department of Energy uses nuclear waste disposal funding to help find a permanent method to dispose of its high-level radioactive waste and spent nuclear fuel. Under an across-the-board cut, the conference agreement cuts purchasing power for these programs by \$72 million for 2002.

## Function 300: Natural Resources and Environment

Function 300 includes programs in a variety of federal agencies concerned with the following: development and management of the nation's land, water, and mineral resources; recreation and wildlife areas; and environmental protection and enhancement. Agencies with major program activities within this function include: the Environmental Protection Agency (EPA); the Army Corps of Engineers; the National Oceanic and Atmospheric Administration; the US Forest Service; and the Department of the Interior. This function does not include the large-scale environmental clean-up programs at the Departments of Defense or Energy (see *Function 050: National Defense* and *Function 270: Energy*).

The conference agreement on the Republican budget resolution provides \$24.2 billion in appropriations for natural resources and environmental programs for 2001. This funding level is \$100 million above the 2000 freeze level and represents a \$600 million cut in purchasing power. The conference agreement continues to cut the purchasing power of these programs in subsequent years; by 2005, the level in the conference agreement represents a \$2.9 billion (10.7 percent) cut in purchasing power. Mandatory spending for 2001 is \$0.9 billion, \$200 million more than the spending projected under current law. Over five years, the conference agreement assumes mandatory spending of \$4.7 billion, an increase of \$1.3 billion over projected spending.

- **Comparison with the House and Senate Resolutions** — For Function 300 appropriations, the conference agreement splits the difference between the funding levels in the House and Senate resolutions. For 2001, the conference agreement provides \$24.2 billion, \$100 million less than House level and \$100 million more than the Senate level. Over 2001-2005, the conference agreement provides \$121.4 billion, \$1.1 billion below the five-year House total and \$1.1 billion above the Senate total.

As described above, the conference agreement contains higher mandatory spending than that projected under current law. This increase reflects the levels in the Senate resolution; the House resolution assumed no net change from the spending under current law. According to Senate Budget Committee documents, this increase assumes the adoption of a proposal to increase payments to rural counties that currently receive a share of federal timber receipts and of another proposal to extend the recreational fee demonstration programs of the Interior Department and the Forest Service.

- **Comparison with the Democratic Alternative** — For 2001, the conference agreement provides \$800 million less in appropriations for this function than the Democratic alternative resolution. Over 2001-2005, the conference agreement provides \$9.2 billion less than the Democratic alternative. The Democratic alternative fully accommodated the President's

Lands Legacy Initiative and fenced off the funding to ensure that it went to land and water conservation programs. The Democratic alternative also provided funding for the President's Livable Communities Initiative, which helps communities grow in ways that ensure both a high quality of life and sustainable economic growth.

- ***Agreement Drops Senate's Arctic Drilling Provisions*** — Unlike the House resolution, the Senate resolution assumed \$1.2 billion in additional oil receipts by 2005 from drilling in the Arctic National Wildlife Refuge (ANWR), which is not permitted under current law. The assumed receipts were shown in Function 950 (Undistributed Offsetting Receipts). Amendments to strike this assumption from the Senate resolution were unsuccessful both in committee mark-up and on the Senate floor. However, due to broad opposition, particularly from environmental groups and Congressional Democrats, the conference committee dropped the ANWR provision from the final agreement.
- ***No Room for the Lands Legacy Initiative*** — The conference agreement does not specify any assumptions regarding the President's Lands Legacy Initiative, but the funding levels leave little room for the President's proposal. For 2001, the President proposed to double the funding for certain land and water conservation programs to \$1.4 billion. The lack of available funding means that the federal government passes up the opportunity to help states and localities adopt "smart growth" strategies, preserve open space, and restore urban parks. As mentioned above, the Democratic alternative fully accommodated this initiative and fenced off the funding to ensure that it went to conservation programs.
- ***Continued State and Local Assistance Placed in Jeopardy*** — For 2000, EPA is providing \$2.6 billion in grants to finance wastewater and drinking water treatment plants. However, even this amount does not fully address the nationwide backlog of needed infrastructure improvements. Because the conference agreement's funding levels for environmental appropriations do not keep pace with inflation, there will be fewer real resources for communities in need.

## Function 350: Agriculture

Farm income stabilization, agricultural research, and other services administered by the U.S. Department of Agriculture (USDA) are funded within Function 350. The discretionary programs include: research, education, and rural development programs; economics and statistics services; meat and poultry inspection; a portion of the Public Law (P.L.) 480 international food aid program; and administrative costs. The mandatory programs include commodity programs, crop insurance, and certain farm loans.

The conference agreement on the Republican budget resolution includes \$58.8 billion in mandatory spending for agriculture over a five-year period (2001-2005), an \$8.8 billion increase over current law. This level is \$1.6 billion more than the amount in the House resolution and \$1.3 billion less than the Senate resolution. The conference agreement includes \$5.5 billion for income assistance for 2000, \$500 million less than the House approved, but it also includes \$1.6 billion for income assistance for 2001 that was not in the House resolution. Both the House and Senate resolutions included funds for crop insurance, which the conference agreement provided at the House-passed level (\$7.2 billion).

For 2001, the conference agreement provides \$4.5 billion for appropriated programs in Function 350. This level of funding represents a \$100 million (1.8 percent) cut in purchasing power. The conference agreement continues to cut the purchasing power of these programs in the following four years. By 2005, the level in the conference agreement represents a \$1.3 billion (9.1 percent) cut in purchasing power.

While the conference agreement makes more money available through farm programs, it also makes it harder for the money to reach farmers. Farmers gain access to federal farm programs through USDA field offices. These field offices have faced staffing shortages and funding squeezes for the past several years, forcing long lines at the counter and delays in processing checks. Field offices have fewer personnel who are burdened with ever-increasing amounts of work that much larger staff struggled to finish. The conference agreement only compounds this problem.

- ***Comparison with the House and Senate Resolutions*** — For 2001, the conference agreement is the same as the House and Senate resolutions. However, over five years, the conference agreement provides \$300 million more in appropriated funds than the House resolution and \$300 million less than the Senate resolution.
- ***Comparison with the Democratic Alternative Resolution*** — The Democratic alternative provided \$24.3 billion over five years in appropriated funding for agriculture, \$1.5 billion more than the conference agreement provides and \$240 million more than the level necessary

to keep pace with inflation. For 2001, the Democratic alternative outshone the conference agreement's agriculture funding by \$200 million.

- ***Other Provisions*** — The conference agreement includes the Sense of the House language regarding income averaging for farmers and the Sense of the Senate language on agribusiness mergers and fair markets for farmers.

## Function 370: Commerce and Housing Credit

Function 370 includes the following: deposit insurance and financial regulatory agencies; the mortgage credit programs of the Department of Housing and Urban Development (HUD); the Department of Commerce's Census Bureau, business promotion programs, and technology development programs; rural housing loans; Small Business Administration business loans; the Postal Service; and other regulatory agencies such as the Federal Communications Commission.

Under the conference agreement on the Republican budget resolution, appropriated funding for Function 370 drops to \$2.6 billion for 2001, a decrease of \$4.3 billion from the 2000 enacted level. Although the Republican plan does not explain this sharp decrease, it most likely reflects the culmination of the 2000 census. After backing out the cost of the census, however, the 2001 funding level is still \$1.3 billion (33 percent) below the level required to maintain current purchasing power. For years 2002 to 2005, the appropriated funding levels for this function represent cuts in purchasing power of at least 20 percent, not counting the reduced cost of the Census Bureau. The Republican plan makes no net changes to mandatory spending for this function.

- **Comparison with the House Resolution** — For 2001 appropriations, the conference agreement provides \$2.6 billion, \$100 million less than in the House resolution. Over 2001-2005, the conference agreement provides \$14.8 billion for appropriations, \$200 million less than in the House resolution. In both versions of the resolution, mandatory spending for this function is equal to projected spending under current law.
- **Small Business Programs at Risk** — The cuts in appropriated funding for this function could translate into a massive scale-back of the loan programs of the Small Business Administration (SBA). For example, a 33 percent cut in SBA's business loan programs would mean a decrease of \$5.9 billion in the value of business loans guaranteed by the agency.
- **Federal Housing Administration** — Each year, the Federal Housing Administration (FHA) insures the mortgages of over 1.2 million households, about 80 percent of them first-time home buyers. While cuts to appropriated funding in this function do not directly affect the number of mortgages that FHA can insure, they do apply to FHA's operating budget. A 33 percent cut would translate to a \$162 million cut in the agency's operating budget, which would seriously jeopardize the agency's ability to meet the demand for its mortgage insurance products.
- **Rural Housing Loans** — A 33 percent cut to the Department of Agriculture's program for rural housing loans would mean \$490 million less in direct loans and \$1.3 billion less in guaranteed loans. This would decrease the availability of affordable housing for low-income families in rural areas.

## Function 400: Transportation

Function 400 is comprised mostly of the programs administered by the Department of Transportation (DOT), including programs for highways, mass transit, aviation, and maritime activities. The function also includes several small transportation-related agencies and the civilian aviation research program of the National Aeronautics and Space Administration (NASA).

For Function 400, the conference agreement on the Republican budget resolution provides \$59.3 billion in budgetary resources (appropriated budget authority plus mandatory contract authority) for 2001, \$7.5 billion more than the 2000 enacted level. However, the conference agreement also includes an increase in mandatory contract authority of \$2.5 billion for 2000, reflecting the recent reauthorization of the Federal Aviation Administration's (FAA's) Airport Improvement Program. When this amount is added to the 2000 enacted level, the increase for 2001 is only \$5.0 billion over the 2000 level. Of that sum, \$1.3 billion is for appropriated transportation programs, a 9 percent increase over the 2000 level. Over five years, the conference agreement provides \$293.6 billion in budgetary resources for transportation programs, \$210.6 in contract authority and \$83.0 billion in budget authority.

- ***Comparison with the House Resolution*** — For contract authority, the conference agreement provides the same amount as the House resolution for each of the years 2001 to 2005. For appropriations, the conference agreement provides \$100 million more for 2001 and \$600 million more over five years than the House resolution.
- ***Comparison with the Democratic Alternative*** — For 2001, the Democratic alternative resolution provided \$59.5 billion in budgetary resources, \$200 million more than the conference agreement. Over 2001-2005, the Democratic alternative provided \$2.9 billion more than the conference agreement. The Democratic alternative increased funding for highways, mass transit, and aviation programs while also preserving the purchasing power of other transportation programs such as the Coast Guard and Amtrak. The Republican resolutions freeze spending for many transportation programs (see below for details).
- ***Highways and Mass Transit*** — The Transportation Equity Act for the 21<sup>st</sup> Century (TEA-21) constrains the role of the annual budget and appropriations process with respect to transportation funding. For example, TEA-21 ties obligation limitations for federal-aid highways for each year to the excise tax revenues that accrue to the Highway Trust Fund during the prior year, and it adjusts the guaranteed minimum level of highway resources annually. Following the rules in TEA-21, the Administration adjusted the 2001 funding level upward by \$3.1 billion. The minimum levels are guaranteed by a point of order against appropriations bills that do not provide sufficient funding. One can reasonably assume,



therefore, that \$3.1 billion of the \$3.7 billion increase in mandatory contract authority for 2001 is for highways and mass transit.

- ***AIR-21 Locks in Increases for FAA*** — Because of the recent enactment of H.R. 1000 (or AIR-21), which reauthorizes the FAA, aviation programs will most likely receive the remainder of the increase in transportation funding for 2001. The remaining \$600 million increase in contract authority for 2001 is for the FAA's Airport Improvement Program. In addition, the entire \$1.3 billion increase for 2001 appropriations will almost certainly go to the FAA. H.R. 1000 constrains the appropriations process so that it will be very difficult for appropriators to provide anything less than the authorized funding levels. The authorization levels in H.R. 1000 for the appropriated portions of the FAA's budget are \$1.3 billion (17.2 percent) higher than the 2000 appropriations.

**Likely Distribution of Transportation Appropriations  
Under the Republican Conference Agreement** (billions of dollars)

	<b>2000</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>
Mass transit	1.2	1.3	1.4	1.4	1.4	1.4
FAA	8.2	9.5	10.0	10.6	10.6	10.6
All other <sup>11</sup>	5.1	5.0	5.0	5.0	5.0	5.0
<b>Total</b>	<b>14.5</b>	<b>15.8</b>	<b>16.4</b>	<b>17.0</b>	<b>17.0</b>	<b>17.0</b>

- ***All Other Transportation Programs Are Squeezed*** — Federal highway programs, grants to airports, and most of the federal mass transit program are funded with mandatory contract authority. Other transportation programs, such as Coast Guard, rail, and DOT's general administrative operations, are funded primarily through appropriations. The conference agreement provides \$15.8 billion in appropriations for 2001, \$1.3 billion (9 percent) more than the 2000 level. However, for reasons described above, all of this increase will almost certainly go to the FAA. As a result, the funding for other transportation programs such as the Coast Guard, rail programs, and the Department of Transportation's administration will be frozen close to their 2000 levels (see table above).

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<sup>11</sup> This category includes: the Coast Guard, the Federal Railroad Administration, capital funds for Amtrak, NASA's civilian aviation research, the National Transportation Safety Board, a portion of National Highway Traffic Safety Administration, DOT's Inspector General, and DOT's Office of Pipeline Safety.

The conference agreement continues to squeeze these other transportation programs in the following years. The modest increases in appropriated funding provided for 2002 and 2003 accommodate only the increased appropriations that H.R. 1000 all but guarantees for the FAA, as well as a small increase for mass transit. By 2003 (the last year covered by H.R. 1000), programs like Coast Guard and support for Amtrak face a cut in purchasing power of 5.9 percent. For 2004 and 2005, the conference agreement freezes all appropriated funding for transportation programs at \$17.0 billion. By 2005, that freeze translates to a 10.2 percent cut in purchasing power for the Coast Guard and the other appropriated transportation programs.

## **Function 450: Community and Regional Development**

Federal support for community and regional development helps economically distressed urban and rural communities. Major agencies and programs included in this function are the Empowerment Zones, the Community Development Block Grant, the Economic Development Administration, the Appalachian Regional Commission, rural development programs in the Department of Agriculture, the Bureau of Indian Affairs, the Federal Emergency Management Agency, and the Small Business Administration's disaster loan program.

The conference agreement on the Republican budget resolution provides modest increases in some other budget functions in part by gutting community and regional development programs. For 2001, the conference agreement provides only \$9.2 billion for community and regional development appropriations. This level of funding is a \$2.5 billion (21.1 percent) cut in purchasing power and is \$2.2 billion (19.2 percent) below the 2000 freeze level. The conference agreement continues to cut these programs in years 2002 through 2005, providing \$8.7 billion in 2002 and \$8.6 billion in each of years 2003, 2004, and 2005. By 2005, the level in the conference agreement represents an unrealistic \$3.9 billion (31.5 percent) cut in purchasing power and is \$2.8 billion (24.6 percent) below the 2000 freeze level.

The conference agreement does not outline specific cuts for community and regional development programs. However, the cuts in the conference agreement are deep enough to eliminate all discretionary appropriations for the Federal Emergency Management Agency (FEMA) and its disaster relief programs. This would mean that the conference agreement implausibly assumes that over the next five years the nation will not experience a single natural disaster that requires federal assistance. Alternatively, the conference agreement could assume a nearly one-third across-the-board cut in purchasing power for all programs in this function by 2005.

Ironically, the Republican leadership have spoken publicly this year about the need to provide additional resources for development in economically distressed communities. For instance, Speaker Hastert has discussed with President Clinton efforts to develop a bipartisan New Markets Initiative. However, cuts in the Community and Regional Development function would gut many of the federal programs that currently benefit those communities.

- ***Comparison with the House Resolution*** — For 2001, the conference agreement provides \$100 million more in appropriated funds than the House resolution. Over five years, the conference agreement provides \$600 million more than the House resolution.
- ***Comparison with the Democratic Alternative Resolution*** — The Democratic alternative resolution maintained purchasing power for community and regional development programs

for all of years 2001 through 2005. For 2001, the Democratic alternative provided \$2.5 billion more than the conference agreement. Over five years, the Democratic alternative provided \$16.8 billion more than the conference agreement.

## **Function 500: Education, Training, Employment, and Social Services**

Function 500 includes funding for the entire Department of Education, social services programs within the Department of Health and Human Services, and employment and training programs within the Department of Labor. It also contains funding for the Library of Congress and independent research and art agencies such as the Corporation for Public Broadcasting, the Smithsonian Institution, the National Gallery of Art, the JFK Center for the Performing Arts, the National Endowment for the Arts, and the National Endowment for the Humanities.

For 2001, the conference agreement on the Republican budget resolution provides \$56.8 billion for appropriated programs in Function 500. This level of budget authority represents an increase of \$1.4 billion (2.6 percent) above the level necessary to maintain purchasing power; however, outlays represent a \$0.6 billion (1.2 percent) cut in purchasing power. Over five years (2001-2005), outlays are only \$1.5 billion above the level necessary to maintain constant purchasing power at the 2000 funding level.

- ***Comparison with House and Senate Resolutions*** — For this function, the conference agreement is equal to the House and Senate resolutions in budget authority for 2001 but \$600 million below the House resolution in outlays. Over five years (2001-2005), it provides \$1.5 billion more in budget authority than the House resolution and \$1.6 billion less than the Senate resolution.
- ***Democrats Support High-Priority Programs*** — The Function 500 levels in the conference agreement are \$4.8 billion below those in the Democratic alternative resolution for 2001, and \$19.1 billion less over five years (2001-2005). For 2001, the higher funding in the Democratic alternative supported the following: (1) the third installment of the President's initiative to improve student achievement by hiring 100,000 teachers over seven years to reduce the average size of classes; (2) assistance to renovate crumbling schools through loans, grants, and tax credits; (3) doubling the size of the after-school program, enough to allow each low-performing school to provide extended learning services to all their students; (4) increasing Head Start by \$1 billion; and (5) increasing the maximum Pell Grant award to \$3,500.
- ***Conference Agreement Eliminates Increase for Pell Grants*** — The conference agreement rejects two provisions in the Senate resolution that would have added funding for education. The first was a successful Senate amendment that would have decreased the five-year tax cut by \$2.7 billion and used that funding instead to increase the maximum Pell Grant award to

\$3,700. The second would have provided a total of \$2.3 billion in mandatory spending to reward states that show improvements in student achievement.

- ***Minimal Increase for Most Education Programs*** — The conference agreement includes a Sense of the House statement designating at least \$2.0 billion more than the 2000 level for special education programs. If this increase were actually enacted, it would leave an increase of only \$200 million for all other programs, which would mean a cut in the current level of services for other education programs. Unlike the House and Senate resolutions, which spelled out that this remaining new funding was solely for elementary and secondary education programs, the conference agreement is silent on where it targets this additional \$200 million. However, with such a minimal increase, Title I would provide educational services to a smaller percentage of low-income students, school districts would not receive new federal funds to hire and train new teachers, and schools would not receive new funds to expand their after-school and summer programs.
- ***Republicans Freeze Higher Education and Social Services*** — The House resolution asserted that its entire increase for Function 500 was for elementary and secondary education programs, meaning that it froze funding for all social services, employment, and training programs for five years. The Senate provided only a slight increase for these programs. Since the conference agreement purports to assign most of the funding increase for 2001 to special education, it is fair to assume that it also intends to freeze funding for most other programs in this function. Such a freeze means a \$1.1 billion cut in purchasing power for higher education programs, social services programs, and training and employment programs for 2001. By 2005, the level in the conference agreement represents an 8.5 percent cut in purchasing power for these programs. This loss of purchasing power translates into real cuts in the numbers of people who can benefit from these programs each year. For instance, by 2005:

***Pell Grants*** — About 316,000 fewer low-income students would receive Pell Grants to help attend college than in 2000; and

***Head Start*** — Head Start would have to cut services to more than 40,000 children and their families.

- ***Title XX (Social Services Block Grant)*** — The conference agreement increases mandatory funding for Title XX by \$50 million in 2001 and \$1.0 billion over five years, relative to the funding levels provided under current law. The House resolution did not provide additional funding for Title XX, while the Senate resolution increased Title XX funding by \$100 million in 2001 and \$3.4 billion over five years. The Democratic alternative increased funding for

Title XX by significantly more, providing \$150 million in 2001 and \$750 million over five years above the current law levels.

- ***Republican Education Increase Is a Mirage*** — Much of the increase for special education in the conference agreement is a mirage. Although the 2001 budget authority for Function 500 is \$2.2 billion above a freeze at the 2000 level, the conference agreement actually cuts outlays by \$400 million below a freeze at last year's level. Over the years, the disparity grows between the amount of budget authority the conference agreement provides and the amount of actual spending (outlays) it allows.<sup>12</sup> Over five years, despite adding \$21.8 billion in budget authority to a freeze at the 2000 level, the conference agreement provides only \$11.9 billion in additional outlays. Simply put, the Republicans do not provide the cash (outlays) to match their rhetoric (measured in budget authority).
- ***Repeal of Obligation Delays*** — The conference agreement assumes enactment of legislation repealing several timing shifts contained in the 2000 Omnibus Appropriations bill. These changes, contained in the supplemental appropriations bill approved by the House on March 30, 2000, would repeal obligation delays in funds for the Children and Families Services Programs and the Social Services Block Grant. The effect of repealing these provisions will shift a total of \$479 million in outlays for those programs back to 2000.
- ***Democrats Offer "Full Funding" for Special Education*** — During the House Budget Committee's mark-up of the Republican plan, the Democrats offered an amendment to provide "full funding" of the federal government's maximum authorized contribution for special education. This amendment would have provided \$9.2 billion more for 2001 than the Republican total for special education simply by decreasing the size of their tax cut. Yet when faced with the opportunity to provide this funding, the Republicans refused to do so. Instead of *actually providing* this federal funding for special education, they diluted the amendment to merely repeat their Sense of the House statement that Congress *should provide* this funding.

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<sup>12</sup>Budget authority refers to the amount of funding an agency may commit or obligate. Outlays refer to actual cash disbursements. For example, if Congress provides \$2.0 billion in budget authority for special education, local educational agencies (LEAs) can begin making plans to sign contracts with new teachers for special education classes. The LEAs do not pay the teachers their annual salary immediately, but over the course of the academic year. These payments are recorded as outlays. In addition, because most education programs need time to plan for the coming academic year, the funding provided for one fiscal year primarily pays for costs in the following academic year. For these "forward funded" programs, the government releases budget authority on July 1 for the academic year beginning that fall. Most of the associated outlays, therefore, occur in the following fiscal year that begins on October 1.

## Function 550: Health

In Function 550, discretionary programs (programs subject to annual appropriations) include most federal programs that provide direct health care services, such as the Ryan White AIDS programs, Maternal and Child Health block grant programs, Substance Abuse and Mental Health Services Administration (SAMHSA), and Title X family planning services. Other health programs in the function fund national biomedical research, protect the health of the general population, protect workers in their places of employment, provide health services for under-served populations, and promote training for the health care workforce. The major mandatory programs in this function are Medicaid and the State Children's Health Insurance Program (S-CHIP).

### Health Programs Subject to Annual Appropriations

Overall, the conference agreement on the Republican budget resolution provides \$34.8 billion for discretionary health programs for 2001, \$100 million less than the House resolution. This represents a modest increase in purchasing power of 0.9 percent for 2001 for these programs. Over five years (2001-2005), funding for appropriated health programs is \$178.9 billion, \$1.0 billion less than the House resolution. By 2005, purchasing power is cut slightly (1.2 percent).

Unlike the House resolution, the conference agreement does not contain explicit assumptions regarding the funding of any discretionary health programs. Given the modest increase in overall funding for this function, significant increases for any program, such as the National Institutes of Health (NIH), are likely to mean that there will be insufficient funds to preserve all other health programs at their current level of services.

- **National Institutes of Health (NIH)** — The conference agreement does not contain any specific increases for NIH. For 2001, the House resolution assumed NIH funding would increase by \$1.0 billion over the 2000 level. On the Senate floor, an amendment to the reported budget resolution was approved to add still more funding for NIH, resulting in an increase of \$2.7 billion over the 2000 level for 2001. The conference agreement deletes the additional funds added on the Senate floor and deletes all specific assumptions regarding increased funding for NIH.

For 1999 and 2000, Congress voted on a bipartisan basis to increase NIH funding by 15 percent per year. Many in Congress remain committed to doubling NIH funding by 2003 relative to the 1998 level. However, it will be difficult to maintain the increases required to double NIH's funding by 2003.



Because the conference agreement deletes the Senate funding increase, a 15 percent increase for NIH for 2001 (the amount necessary to keep NIH on track for doubling by 2003) is likely to mean that Congress must cut funding for other health programs. The overall increase provided in the conference agreement is not sufficient to boost NIH funding and maintain funding for other health programs at their current level of services. For 2000, NIH accounted for 53.3 percent of all discretionary health funding in this function.

- ***Alzheimer's Disease Clinical Training and Research Awards*** — The conference agreement deletes new funding included in the Democratic alternative resolution and the House resolution for research and clinical training for Alzheimer's disease. These funds were included in the House resolution during the House Budget Committee markup by Rep. Ed Markey (D-MA) and provided \$2.3 million for 2001 and \$11.3 million over five years (2001-2005).
- ***Other Health Programs*** — The conference agreement plan provides a modest increase in overall funding for health programs for 2001. However, if a significant increase for NIH is enacted as it has been for the last two years, the resulting level is insufficient to preserve all other health programs at their current level of services.
- ***Repeal of Obligation Delays*** — The conference agreement assumes enactment of legislation repealing several timing shifts contained in the 2000 Omnibus Appropriations bill. These changes, contained in the supplemental appropriations bill approved by the House on March 30, 2000, would repeal obligation delays in funds for the National Institutes of Health, the Centers for Disease Control and Prevention, the Health Resources and Services Administration, and the Substance Abuse and Mental Health Services Administration. The effect of repealing these provisions will shift a total of \$1.2 billion in outlays for those programs back to 2000.

## **Medicaid and the State Children's Health Insurance Program (S-CHIP)**

- ***Reserve Fund for S-CHIP and Medicaid*** — The conference agreement on the Republican budget resolution includes a reserve fund increasing spending slightly for Medicaid and S-CHIP, by \$50 million for 2001 and by \$250 million over five years (2001-2005), relative to projections of current law. This reserve is about half the increase provided in the Democratic alternative resolution or the House resolution. These reserve funds may be released by the Budget Committee chairman of the House or Senate.

These increases were first proposed during the House Budget Committee markup by Rep. Tammy Baldwin (D-WI) and Rep. Ken Bentsen (D-TX) to expand access to affordable health insurance for vulnerable people. The reserve fund may be used for the following program improvements:

- 1) ***Accelerated Medicaid and S-CHIP Enrollment*** — The conference agreement: (a) allows additional sites to enroll children immediately (presumptive eligibility) in the programs; (b) allows sharing of school lunch eligibility information; and (c) requires states to simplify and align their Medicaid and S-CHIP enrollment processes; and
  - 2) ***Medicaid Cancer Treatment for Uninsured Women*** — The conference agreement includes a state option for Medicaid coverage and immediate eligibility for uninsured women who are diagnosed with breast or cervical cancer through the Centers for Disease Control's screening program.
- ***Disabled Children's Reserve Fund*** — Unlike the House resolution, the conference agreement includes a reserve fund for health programs designed to allow children with disabilities to obtain access to home health services and enable their parents to seek employment. The reserve allows increased spending of \$25 million for 2001 and \$150 million for 2001-2005.
  - ***Comparison with the Democratic Alternative*** — While the conference agreement increases Medicaid and S-CHIP by \$400 million over five years (2001-2005) relative to current law, the Democratic alternative increased these two programs by \$8.6 billion over the same period. This figure includes additional health insurance access initiatives, the restoration of benefits for some legal immigrants who lost coverage due to the welfare reform law of 1996, and the expansion of S-CHIP to cover some parents of children who are eligible for the Medicaid or S-CHIP programs. These initiatives grow to \$37.5 billion over ten years (2001-2010). In addition, the Democratic alternative included \$7.2 billion over five years (2001-2005) and \$21.4 billion over ten (2001-2010) for a new long-term care tax credit, although these costs are reflected as revenue losses.

## **Function 570: Medicare**

Function 570 includes only the Medicare program. Discretionary funds (subject to annual appropriations) in Function 570 are used to monitor and administer the Medicare program. Medicare benefits comprise almost all of the mandatory spending in Function 570.

### **Administrative Funds Frozen**

For 2001 administrative costs, the conference agreement on the Republican budget resolution provides \$3.1 billion, the same as the House resolution. This level is identical to the 2000 level. Like the House resolution, the conference agreement freezes these funds at this level for five years (2001-2005). For 2001, this represents a 2.4 percent cut in purchasing power; by 2005, a 14.9 percent cut.

Under the Democratic alternative resolution, administrative activities were funded at a level sufficient to maintain the current level of services.

- ***Effect of Cutting Funds to Prevent Fraud, Waste, and Abuse*** — Medicare's administrative funds are part of a pool of funds used by the Health Care and Financing Administration (HCFA) to prevent and detect fraud, waste, and abuse in the Medicare program. Although significant improvements were made in reducing Medicare's improper payment rate between 1996 and 1998 (a 45 percent reduction), the amount of errors is still too high (about \$13 billion annually). Although not statistically significant, the level of improper payment rates rose slightly in 1999 over the 1998 rate. A cut in funds will not permit stepped up anti-fraud, waste, and abuse activities. It is ironic that Republicans have stepped up calls for elimination of waste, fraud, and abuse at the same time they reduce the pool of funds needed to do so.

### **Two Reserve Funds for Medicare**

Unlike the Democratic alternative, which provided an immediate Medicare prescription drug benefit for all seniors, the conference agreement increases Medicare spending by \$40 billion over five years (2001-2005) relative to projections of current law by creating two reserve funds for Medicare.

The conference agreement creates a House reserve fund and a Senate reserve fund for prescription drug benefits and other Medicare legislation. The conference agreement does not require either body to report any legislation at all.

- ***The House Medicare Reserve Fund*** — The House Medicare reserve fund follows the House resolution. It increases Medicare spending by \$2.0 billion for 2001 and \$40 billion over five years (2001-2005) relative to projections of current law. The House reserve fund provides for an undefined Medicare reform plan and an undefined prescription drug benefit.
- ***The Senate Medicare Reserve Fund*** — The Senate Medicare reserve fund also increases Medicare spending by \$40 billion over five years (2001-2005) relative to projections of current law. The reserve is divided into two equal parts and the allocation of the \$40 billion must not cause an on-budget deficit in any fiscal year.

For further discussion of the prescription drug benefit and the Medicare reserves, see *Medicare Prescription Drugs*.

## Function 600: Income Security

Function 600 consists of a range of income security programs that provide cash or near-cash assistance (e.g., housing, food, and energy assistance) to low-income persons, and benefits to certain retirees, persons with disabilities, and the unemployed. Major federal entitlement programs in this function include Supplemental Security Income (SSI), food stamps, Temporary Assistance to Needy Families (TANF), and child care. Section 8 housing and other housing assistance programs account for the largest share of discretionary spending in this function. Other key discretionary programs include the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC), the Low Income Home Energy Assistance Program (LIHEAP), and the Child Care and Development Block Grant.

For 2001, the conference agreement on the Republican budget resolution provides \$35.3 billion for appropriated programs in Function 600. This amount is \$600 million above a freeze level but \$1.9 billion below the amount needed to maintain current purchasing power.<sup>13</sup> Both the House and Senate resolutions assumed renewal of all expiring Section 8 housing contracts. However, the increases provided in Function 600 under both plans were insufficient to both fund all expiring contracts and maintain funding — even at a freeze — for other programs within the function.

Similarly, the conference agreement does not provide enough to fully fund all Section 8 contract renewals and fund other programs in Function 600. The conference agreement calls for cuts of \$1.4 billion (5.4 percent) below a hard freeze for 2001 if all expiring Section 8 contracts are renewed, and more severe reductions from current services. Programs like the Special Supplemental Nutrition Program for Women, Infants and Children (WIC), the Low Income Home Energy Assistance Program (LIHEAP), and the Child Care and Development Block Grant (CCDBG) would have to be increased by \$1.9 billion (7.4 percent) for 2001 and by a total of \$12.9 billion over the five-year period (2001–2005) in order to maintain current purchasing power.

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### **What cuts will mean to vital programs in 2001:**

#### ***Child Care and Development Block Grant (CCDBG)***

22,000 low-income children of working parents lose their child care subsidy because of a \$90 million cut

#### ***Low-Income Home Energy Assistance Program (LIHEAP)***

\$80 million cut, leaving 296,000 low-income households without assistance

#### ***Special Supplemental Nutrition Program for Women, Infants and Children (WIC)***

\$300 million cut, eliminating 558,000 low-income women, infants, and children from the program

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<sup>13</sup> After adjusting for anomalies in funding for Section 8 Housing.

- ***Discretionary Comparisons with House and Senate Resolutions*** — For 2001, the conference agreement provides \$100 million more in appropriated funds for Function 600 than the House resolution but \$100 million less than the Senate resolution. Over the five-year period (2001–2005), the conference agreement provides \$1.7 billion more than the House but \$1.4 billion less than the Senate.
- ***Mandatory Changes*** — The conference agreement assumes \$5.3 billion in increased mandatory spending in Function 600 over five years, all of which is for the Earned Income Tax Credit. From 2002 through 2005, \$1.3 billion per year is attributed to the refundable portion of Earned Income Tax Credit marriage penalty relief. The Senate resolution contained an \$817 million increase for child care, which was not included in the final agreement.
- ***Democrats Did More For Vulnerable People*** — The Democratic alternative resolution provided \$15.8 billion in mandatory increases in Function 600 over five years, \$10.5 billion more than the conference agreement (see also *Low-Income Programs*). It made significant expansions to food stamps, benefits for certain legal immigrants, the Child and Dependent Care Tax credit, and the Earned Income Tax Credit.

The Democratic alternative raised the vehicle limit for food stamp eligibility, conformed the income definition with Medicaid, and indexed the shelter deduction. It also restored food stamps, Supplemental Security Income (SSI), and Medicaid to certain legal immigrants who lost eligibility under the 1996 welfare law. The Democratic alternative also expanded the Dependent Care Tax Credit by making the credit refundable, increasing the credit for families earning up to \$60,000, and extending a credit to parents who stay at home with an infant. In addition, the Democratic alternative expanded the Earned Income Tax Credit by \$9.9 billion over five years.

In total, the Democratic alternative expanded low-income benefits and refundable tax credits associated with this budget function by \$20.6 billion, although the changes to the refundable tax credits were portrayed as revenue changes. (See *Low-Income Programs* for further discussion.) These important and necessary changes for vulnerable groups were ignored by the Republicans.

## **Function 650: Social Security**

Function 650 includes mandatory spending to pay Social Security retirement and disability benefits to 45 million people and appropriated funding to administer these programs.

- The conference agreement on the Republican budget resolution provides for the recently enacted repeal of the earnings test for Social Security recipients between ages 65 and 69. This raises Social Security outlays by \$4.3 billion in 2001 and by \$15.5 billion over five years. The House resolution did not make any provision for repeal of the earnings limit, but the Democratic alternative budget did.

See *Social Security and Medicare Solvency* for further discussion.

## Function 700: Veterans

Function 700 consists of veterans' benefits programs. Mandatory spending in this function pays for veterans' educational benefits and income security benefits such as compensation, pensions, and life insurance. The vast majority of appropriated funding in this function is for veterans' hospitals and medical care, but it also includes funding for housing programs, veterans' cemeteries, and the general operating expenses of the Department of Veterans' Affairs (VA).

For 2001, the conference agreement on the Republican budget resolution provides \$22.1 billion in appropriated funding for veterans' programs. This level of funding is \$1.2 billion (5.7 percent) above the 2000 freeze level and \$400 million (1.8 percent) above the level needed to maintain current purchasing power. Republican documents indicate that most or all of this increase is intended for veterans' health care programs. For 2002 through 2005, the Republican plan increases appropriated funding for veterans by \$400 million to \$700 million annually, which represents a cut in purchasing power. By 2005, the conference agreement cuts current purchasing power by \$400 million (1.6 percent).

Relative to projected mandatory spending under current law, the conference agreement assumes small increases for 2001 and 2002, followed by small decreases for the following three years. These changes essentially net out over five years. This spending pattern is the result of two policy assumptions. First, the conference agreement assumes an increase in Montgomery GI Bill education benefits of roughly \$100 million to \$200 million per year. Second, the conference agreement assumes the extension of several veterans-related savings provisions that are set to expire after 2002. Extending those provisions reduces mandatory spending roughly \$300 million per year for 2003 through 2005.

For information on provisions in the conference agreement related to health care for military retirees, see *Military Retirees*.

- **Comparison with the House Resolution** — For 2001, the conference agreement provides \$100 million less for veterans appropriations than the House resolution. However, over 2001-2005, the total for veterans appropriations in the conference agreement is \$500 million higher than in the House resolution.
- **Comparison with the Democratic Alternative** — For 2001, the conference agreement provides \$200 million less in appropriations for veterans than the Democratic alternative resolution. Over 2001-2005, the conference agreement provides \$500 million less in appropriations than the Democratic alternative.



- ***Republicans Follow Democrats' Lead on GI Bill Increase*** — Neither the House nor the Senate resolutions provided for an increase in Montgomery GI Bill education benefits, which have not kept pace with the rapid increases in higher education costs. In contrast, the Democratic alternative resolution provided for a 25 percent increase in monthly benefits. The conference agreement follows Democrats' lead by increasing mandatory spending for GI Bill benefits. However, the conference agreement provides \$700 million less over five years for this proposal than the Democratic alternative did.

## **Function 750: Administration of Justice**

The Administration of Justice function consists of federal law enforcement programs, litigation and judicial activities, correctional operations, and state and local justice assistance. Agencies that administer programs within this function include the following: the Federal Bureau of Investigation (FBI); the Drug Enforcement Administration (DEA); the Immigration and Naturalization Service (INS); the United States Customs Service; the Bureau of Alcohol, Tobacco, and Firearms (ATF); the United States Attorneys; legal divisions within the Department of Justice; the Legal Services Corporation; the Federal Judiciary; and the Federal Bureau of Prisons.

For 2001, the conference agreement on the Republican budget resolution provides \$26.9 billion for Administration of Justice appropriations. This level of funding represents a \$700 million (2.4 percent) cut in purchasing power. The conference agreement establishes increasingly large cuts in purchasing power for years 2002 through 2005. It cuts purchasing power for the function by \$800 million (2.9 percent) for 2002; \$1.2 billion (4.2 percent) for 2003; \$1.5 billion (5.1 percent) for 2004; and \$1.9 billion (6.1 percent) for 2005.

- ***Comparison with the House Resolution*** — For 2001, the conference agreement is the same as the House resolution. However, over five years, the conference agreement provides \$2.8 billion more in appropriated funds than the House resolution.
- ***Comparison with the Democratic Alternative Resolution*** — The Democratic alternative resolution increased purchasing power for justice programs by \$425 million for each year through 2005. For 2001, the Democratic alternative provided \$1.1 billion more than the conference agreement. Over five years, the Democratic alternative provided \$8.3 billion more than the conference agreement.
- ***Across the Board Reductions*** — The conference agreement is silent on specific program cuts in the Administration of Justice function. However, assuming across-the-board cuts, programs such as the FBI, INS, DEA, the Customs Service, and the Community Oriented Policing Services (COPS) program will be forced to scale back operations by six percent by 2005.

## Function 800: General Government

This function includes the activities of the White House and the Executive Office of the President, the legislative branch, the Internal Revenue Service (IRS), and programs designed to carry out the legislative and administrative responsibilities of the federal government, including personnel management, fiscal operations, and property control.

For 2001, the conference agreement on the Republican budget resolution provides \$12.8 billion in discretionary funding for general government, \$252 million below the amount needed to maintain the current purchasing power of programs within this function. The conference agreement continues to cut these programs in 2002-2005 to accumulate a \$7.0 billion cut in purchasing power over the five-year period. By 2005, the level in the conference agreement represents a steep 15.9 percent cut in purchasing power.

- **Comparison to House Resolution** — For 2001, the conference agreement provides \$400 million more than the House-passed resolution.
- **Internal Revenue Service (IRS)** — The IRS represents 63 percent of funding in this function. A 15.9 percent cut could devastate the agency at a time when funding for processing, assistance, and management needs to be maintained at current levels. Congress needs to provide the IRS certainty in its operational budget for the near future so that the agency can make the improvements expected by the American taxpayers, especially given the increasing complexity of the tax code.
- **Other Programs** — If Congress chooses to maintain the purchasing power of the IRS, it will need to cut other programs in this function by 5 percent for 2001 and by 43 percent for 2005. These other agencies include the legislative branch, the Government Accounting Office, the General Services Administration, the Executive Office of the President, and the Library of Congress.

## Function 920: Allowances

Function 920 displays the budgetary effects of proposals that cannot be easily distributed across other budget functions. In the past, this function has included funding for emergencies or proposals contingent on certain events.

For 2001, the conference agreement cuts non-defense appropriations by \$5.5 billion by including unspecified cuts within Function 920. As is explained in greater detail in *Appropriated Programs*, this is part of an effort to mask the size of the cuts to non-defense appropriations by making cuts without listing which programs would be hurt. Over the five-year period (2001-2005), the conference agreement contains \$22.2 billion of unspecified cuts in Function 920.<sup>14</sup>

- **Comparison with the House Resolution** — For 2001, the House-passed budget resolution provided \$5.1 billion in unspecified cuts to non-defense appropriations shown in Function 920, \$400 million less than in the conference agreement. Over five years, the House resolution's Function 920 showed \$18.5 billion in unspecified cuts, \$3.7 billion less than in the conference agreement.<sup>15</sup> (In contrast, the Democratic alternative resolution contained no unspecified cuts in Function 920.)

Both the House resolution and the conference agreement assume the enactment of the 2000 Supplemental Appropriations bill. The House resolution included \$8.5 billion for the bill approved by the House Appropriations Committee on March 9. However, on March 30, 2000, the House passed a \$12.6 billion 2000 supplemental appropriations bill, exceeding the House-passed budget resolution by \$4.1 billion. The budget resolution conference agreement includes \$5.1 billion for the supplemental appropriations bill, \$3.4 billion less than the House-reported appropriations bill and \$7.1 billion less than the House-passed appropriations bill. The House resolution showed the total cost of the supplemental in Function 920, but the conference agreement distributes the supplemental's costs to the appropriate functions.

- **Repeal of Delay in Civilian Pay Day** — Function 920 in the conference agreement includes a provision contained in the 2000 Supplemental Appropriations bill that repeals a delay in pay dates for federal civilian employees who were scheduled to be paid on September 29 or

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<sup>14</sup> The conference agreement also includes a cut of \$59.2 billion in budget authority in Function 920 that would be needed to comply with the current caps on appropriations set by the Balanced Budget Act of 1997. This analysis does not address those cuts. See *Appropriated Programs* for more discussion.

<sup>15</sup> The House resolution contained \$18.5 billion in unspecified cuts to budget authority, while the conference agreement contains \$22.2 billion in unspecified cuts to outlays.

September 30, 2000. Under the delay, they were to be paid on October 1, 2000, the first day in fiscal year 2001. The conference agreement restores the pay date to its original schedule, shifting approximately \$768 million in spending back to 2000. This provision also applies to military personnel, but that shift in DOD payments is reflected in Function 050 (Defense).

- ***Repeal of Delay in Supplemental Security Income (SSI) payments*** — The House-passed resolution included a timing shift that affected SSI payments dates but not benefit amounts. The House resolution repealed the delay of the October 2000 SSI payments that was enacted as part of the Balanced Budget Act of 1997. It thereby shifted the payment of benefits for that month from 2001 back to 2000, which increased SSI spending for 2000 by \$2.4 billion and reduced 2001 spending by an equal amount. The conference agreement dropped this provision.

## Function 950: Undistributed Offsetting Receipts

This function comprises major offsetting receipt items that would distort the funding levels of other functional categories if they were distributed to them. This function currently includes three major items: rents and royalties from the Outer Continental Shelf (OCS); the receipt of agency payments for the employer's share of federal employee retirement benefits; and certain other offsetting receipts, such as those from broadcast spectrum auctions by the Federal Communications Commission (FCC).

Offsetting receipts are recorded as “negative outlays” because they represent voluntary payments to the government in return for goods or services (e.g., OCS royalties and spectrum receipts) or because they represent the receipt by one agency of a payment made by another.

For 2001, the conference agreement on the Republican budget resolution assumes offsetting receipts of \$46.6 billion. Over the five-year period 2001-2005, the conference agreement assumes offsetting receipts of \$245.3 billion, the same as projected under current law.

- **Comparison to the House Resolution** — Both the House resolution and the conference agreement assume the shifting of \$179 million that the federal agencies contribute to the retirement trust funds from 2001 back to 2000. This shift, which is a consequence of shifting the date in which federal employees are paid, is included in the 2000 Supplemental Appropriations bill. It was shown in Function 920 in the House-passed resolution, but it has been distributed to the correct function in the conference agreement.
- **Federal Employees Pay Raise** — The conference agreement increases federal civilian pay rates by 3.7 percent in January 2001, the same as the raise for military personnel.
- **Agreement Drops Senate's Arctic Drilling Provisions** — Unlike the House resolution, the Senate resolution assumed \$1.2 billion in additional oil receipts by 2005 from drilling in the Arctic National Wildlife Refuge (ANWR), which is not permitted under current law. The assumed receipts were shown in Function 950. The conference committee dropped the ANWR provision from the final agreement. For more information, see *Function 300: Natural Resources and the Environment*.